



Banco BPM S.p.A.

Credit Update

November 2017



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This presentation includes both accounting data (based on financial accounts) and internal management data (which are also based on estimates).

Mr. Gianpietro Val, as the manager responsible for preparing the Bank's accounts, hereby states pursuant to Article 154-bis, paragraph 2 of the Financial Consolidated Act that the accounting data contained in this presentation correspond to the documentary evidence, corporate books and accounting records.



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1. Group Profile and Strategic Highlights	3
2. Performance Highlights: 9M 2017	12
3. Risk Profile and NPL Unit	15
4. Liquidity, Funding and Capital Position	24
5. Overview of Covered Bond Programmes	29
Annex I – Asset Management and Bancassurance Strategy	35

BANCO BPM: THE FRANCHISE VALUE OF THE NEW GROUP

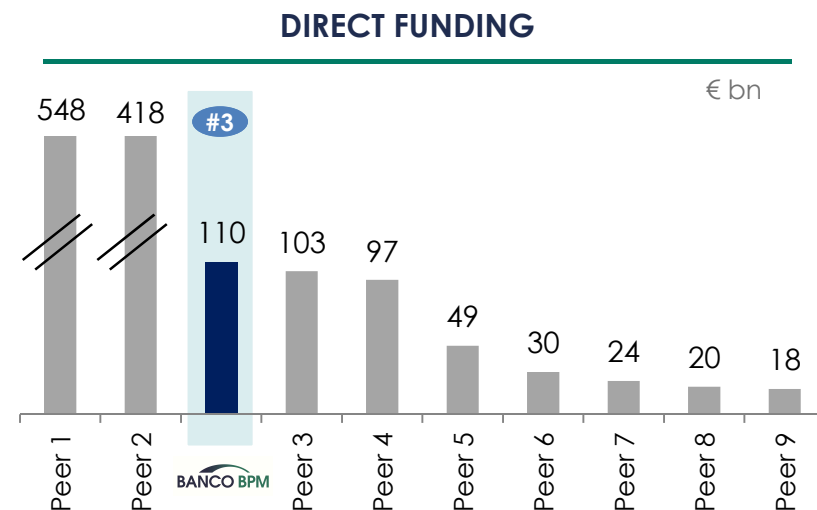
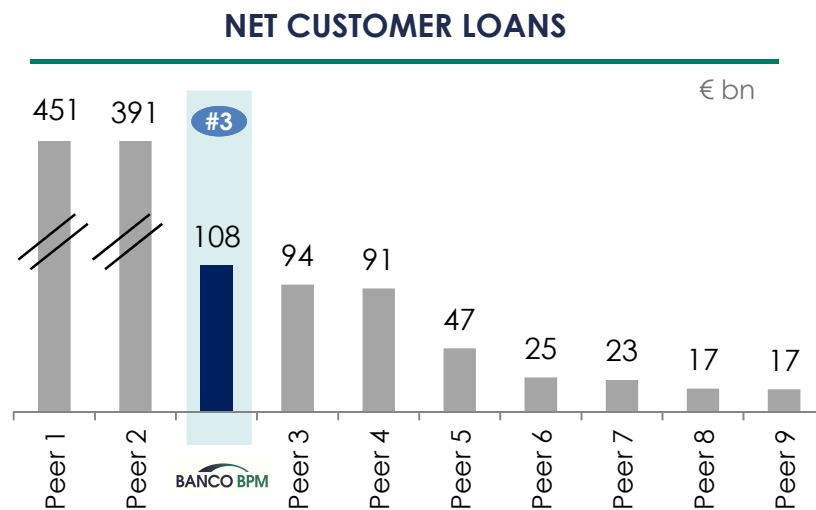
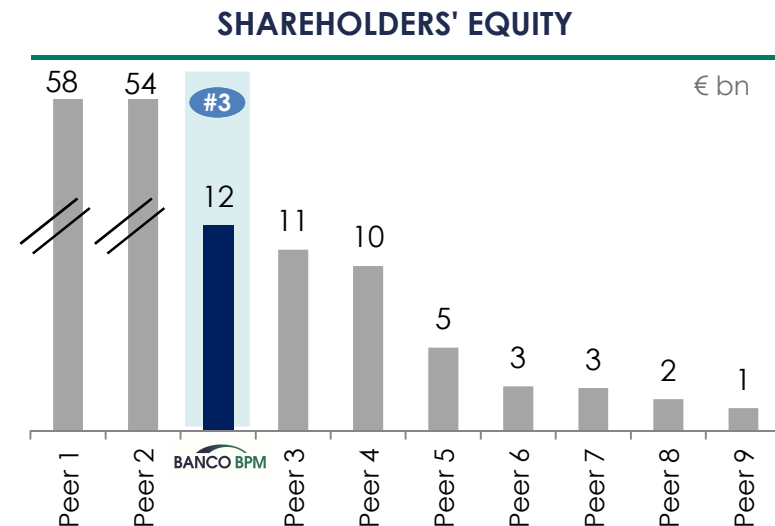
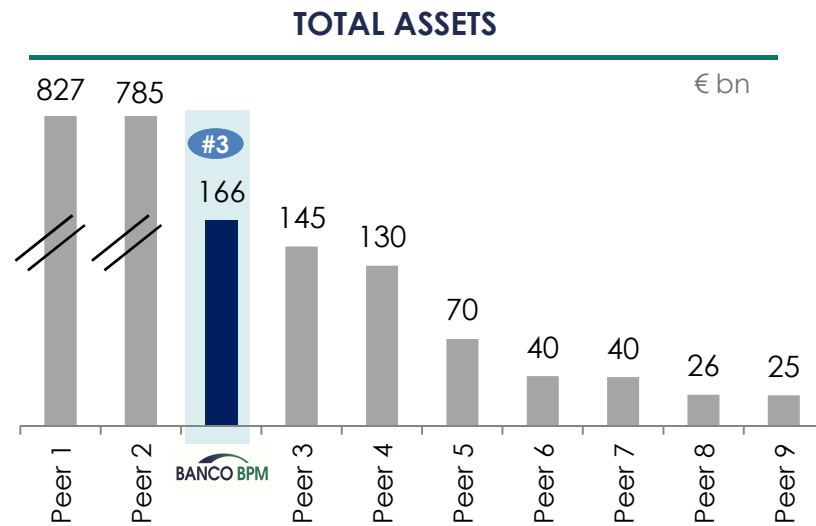
➤ **BANCO BPM IS ITALY'S THIRD LARGEST BANKING GROUP**
WITH A LEADING POSITION IN THE WEALTHIEST AREAS OF THE COUNTRY

➤ **A WIDE CUSTOMER BASE (~4 MILLION)**
SERVED THROUGH AN EXTENSIVE AND DEEPLY ROOTED DISTRIBUTION NETWORK

➤ **SIGNIFICANT COST AND REVENUE SYNERGIES AND CLEAR DE-RISKING PLAN**
APPROVED BY THE ECB
A NEW NPL UNIT TO MAXIMIZE RECOVERIES AND DELIVER ON A STRONG NPL REDUCTION PLAN

➤ **LEADING NATIONAL PLAYER IN A NUMBER OF HIGH VALUE BUSINESSES**
SUSTAINED BY STRONGLY RECOGNIZED BRANDS

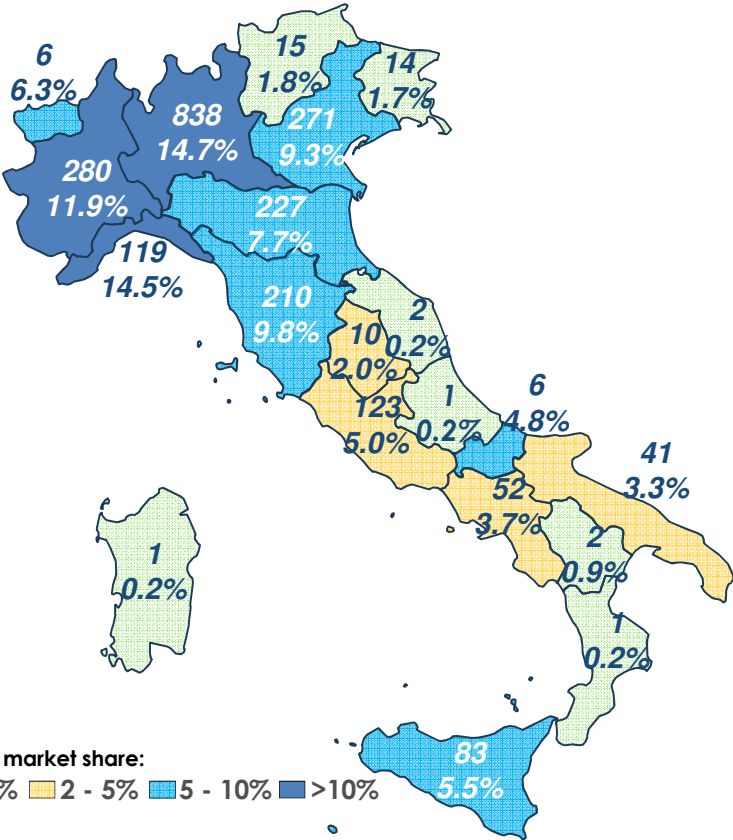
AMONG THE TOP PLAYERS IN THE ITALIAN BANKING INDUSTRY



Data as at 30 September 2017.
The benchmark includes: UCI, ISP, MPS, UBI, BPER, PopSo, Credem, Creval and Carige.

For ISP, the direct funding related to the Insurance business is excluded.
For Banco BPM, direct funding excludes Capital-protected Certificates and includes REPOs for consistency with other banks.

BANCO BPM: GEOGRAPHICAL FOOTPRINT



Regional market share:
 0 - 2% 2 - 5% 5 - 10% >10%

1. Branch figures as at 30/06/2017. Market Shares as at April, including the closure of 48 branches related to the ex BPM franchise.



NATIONAL MARKET SHARES

Customers: 4 million
 # branches: ~2,300
 Market share: 8.0%

Leadership in the wealthiest regions of Italy

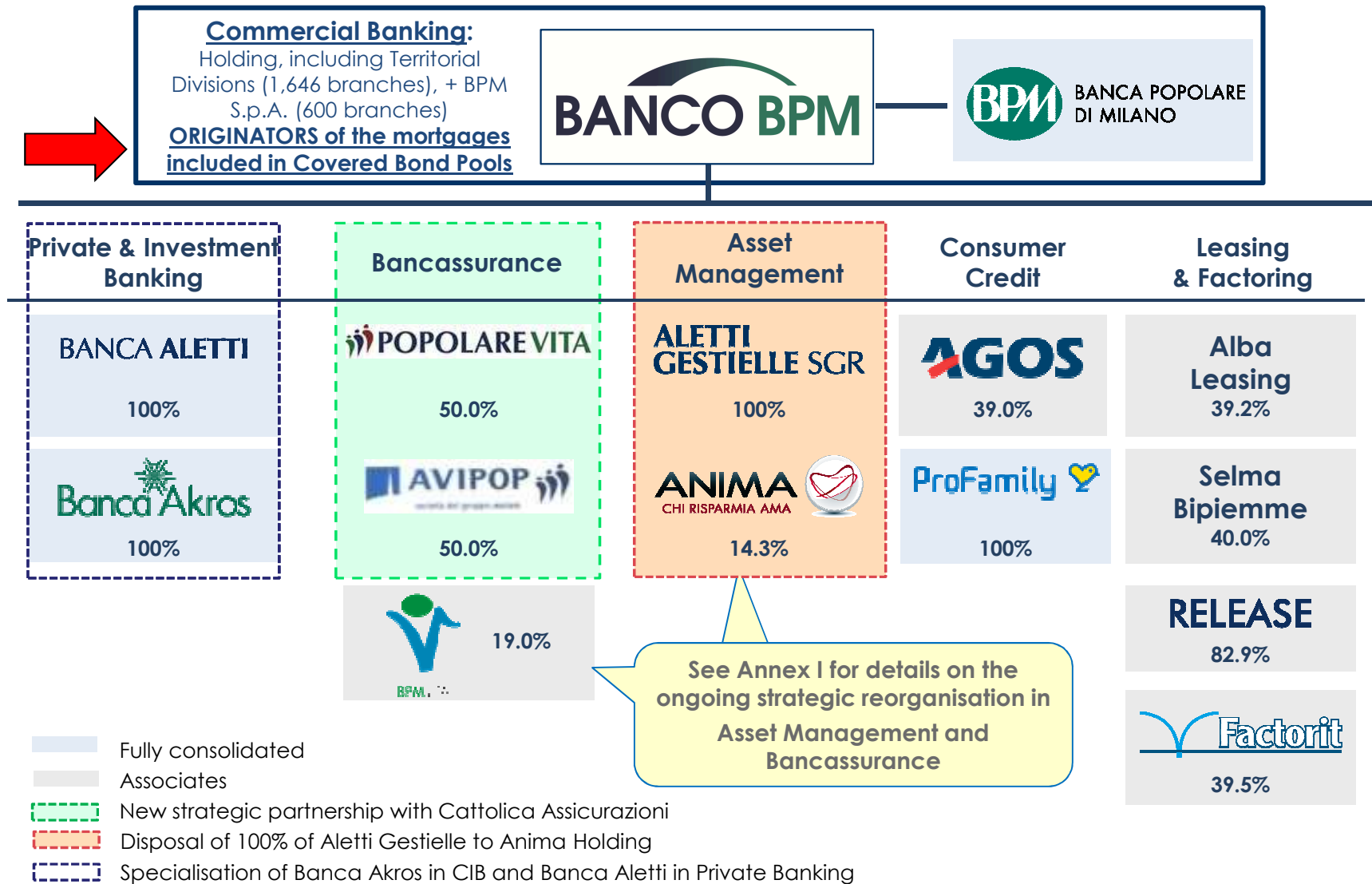
1°	3°	3°
Lombardy	Veneto	Piedmont
# branches: 838	# branches: 271	# branches: 280
Market share: 14.7%	Market share: 9.3%	Market share: 11.9%

GEOGRAPHIC DISTRIBUTION (ITALY)

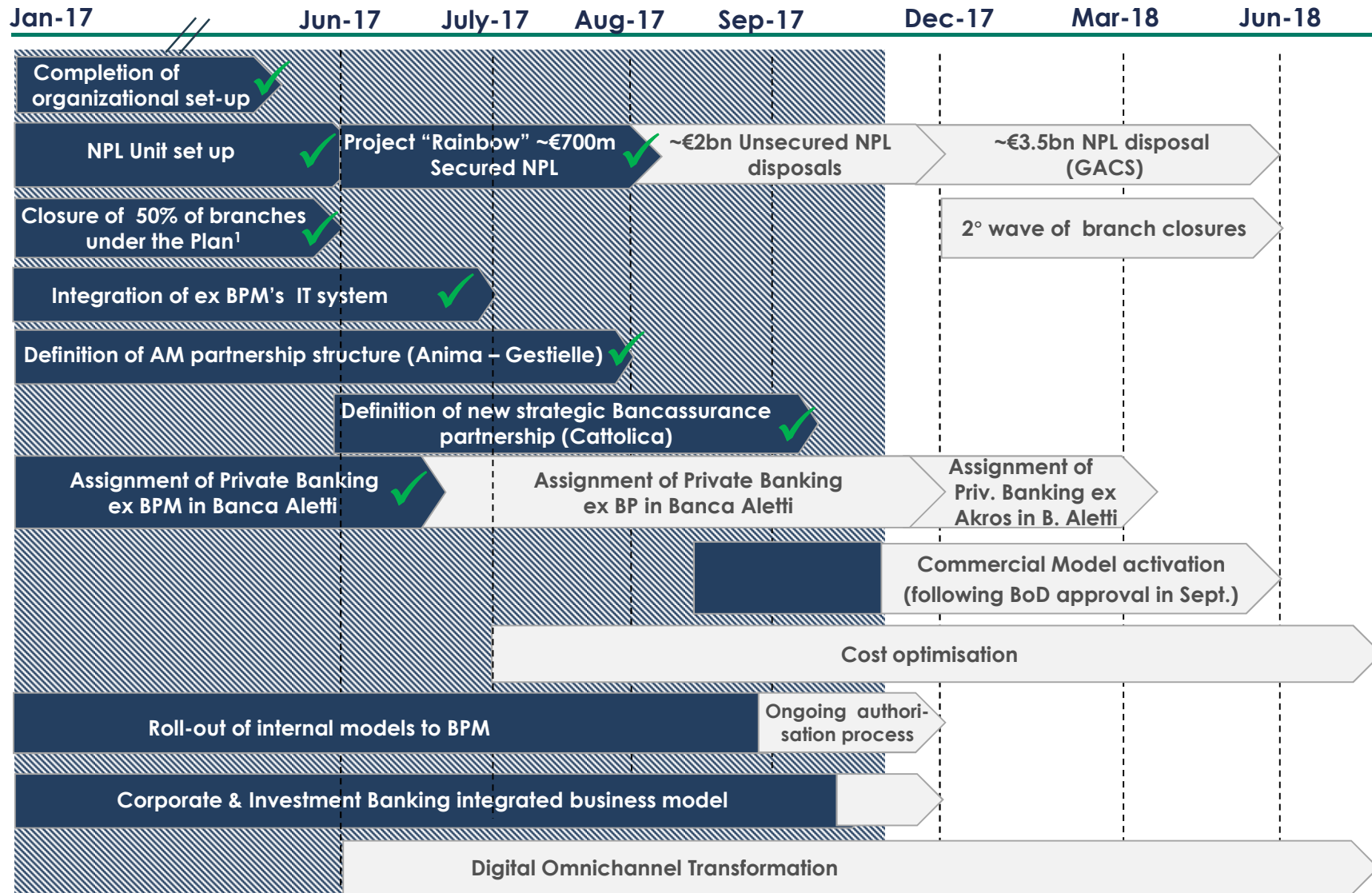
North: 77% Centre: 15% South: 8%

Market share above 20% in 10 provinces, among which some highly important industrial clusters

BANCO BPM: GROUP STRUCTURE AS AT 30/09/2017



MAIN ACHIEVEMENTS: PROJECT TIMELINE



Note:

1. The Strategic Plan envisages the closure of 335 branches by 2019.

BPM MIGRATION ON THE GROUP'S IT PLATFORM

IT MIGRATION COMPLETED DURING THE WEEKEND OF 22/23 JULY



100% OF BRANCHES
OPENED BY 08:30A.M.
MONDAY MORNING



About **6 months**

kick off: 9 January
go live: 24 July

More than **700** 
colleagues

have been working
on this project over
the last 6 months



Migrated on Group IT platform:

more than **600 branches**
more than **1M customers**
more than **6,000 employees**

About **5,000 people**
involved over the last few days



About **1,000 people**
backing up the BPM network



BUSINESS PLAN ROADMAP: WELL AHEAD

	Key factors	Expected/Realized impact
COST SAVINGS & SYNERGIES	COST OF FUNDING ✓	▪ Cost of funding reduction in 2017 already in line with 2018 Strategic Plan projections
	STAFF COSTS REDUCTION ✓	▪ Personnel cost savings >€140m already in 2018
	ADMIN. COSTS REDUCTION ✓	▪ Increase in expected cost savings: ~€50m (Cost Optimisation Project)
DERISKING	PROGRESS ON NPL DISPOSAL PLAN ✓	▪ 100% completion of €8bn NPL disposal plan by H1 2018
	RECOVERY RATE IMPROVEMENT ✓	▪ Material results from recoveries: ~€500m, +28% vs. 2017 Strategic Plan
	UTP STOCK CONTRACTION ✓	▪ UTP stock already well below the 2019 target: €10.1bn as at 30/09/2017 vs. €11.2bn Strategic Plan target
GROUP STRUCTURE OPTIMIZATION	NEW PARTNERSHIP IN BANCASSURANCE ✓	▪ Deal with Cattolica: +126bps to 2017 CET1 FL
	NEW PARTNERSHIP IN ASSETS UNDER MANAGEMENT BUSINESS ✓	▪ Deal with Anima: +91bps to 2017 CE1 FL (or +106bps including the potential transfer of Insurance Reserve Management)

CONCLUSIONS: ACHIEVEMENT AT A GLANCE

Key achievements of Banco BPM Group since its inception on 01/01/2017:

- ✓ Integration/rationalisation/simplification
- ✓ Derisking, with solid results in terms of workout and disposals, significant improvement in flows to NPS and further progress under way
- ✓ Migration of BPM's IT systems to the Group IT platform
- ✓ Cost efficiency actions, set to translate into stronger cost savings from FY 2018
- ✓ Capital strengthening, with a pro-forma CET 1 FL ratio of 12.5% (still excluding the AIRB model impact)
- ✓ Consolidation of core businesses and definition of new commercial network model, paving the way for enhanced commercial effectiveness



The Group is positioning itself as a strong domestic player, with a sound risk profile, a solid capital base and with significant potential to build up its profitability

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PERFORMANCE HIGHLIGHTS: MAIN P&L DATA

✓ NET PROFIT AT €53M / €143M ADJUSTED¹

€143M

✓ «CORE²» REVENUES UP
€3,162m in 9M 2017 (+5.3% y/y)
€3,135m Adjusted¹ in 9M 2017 (+4.4% y/y)

+5.3%
Y/Y

✓ OPERATING COSTS DOWN
€2,316m in 9M 2017 (-9.9% y/y)
€2,290m Adjusted¹ in 9M 2017 (-2.5% y/y)

-9.9%
Y/Y

Notes:

1. Net of non-recurring items.
2. Net interest income + Net fees and commissions.

PERFORMANCE HIGHLIGHTS: MAIN BALANCE SHEET DATA

✓ **C/A AND SIGHT DEPOSITS UP**
Reaching €74.7bn (+10.7% y/y)

+€7.2BN Y/Y

✓ **AUM INCREASING**
Reaching €62.4bn (+8.7% y/y)

+€5.0BN Y/Y

✓ **NEW LOANS GROWING**
€14.3bn (+17.6% y/y), o/w €11.5bn granted to Corporates/SMEs (+22.9% y/y)
and €2.8bn to Households (flat y/y)

+€2.1BN Y/Y

✓ **SOLID CAPITAL POSITION - CET1 FL pro-forma at 12.5%¹**
(phase-in at 12.8%):

Still not factoring in the positive impact expected from the AIRB model roll-out

12.5%

Notes:

1. See slide 28 for details.

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RISK PROFILE IMPROVING FURTHER

✓ **2016-19 BAD LOAN DISPOSALS AHEAD OF PLAN**
 Total disposals already completed: €2.5bn (out of €8bn agreed with ECB)
 Beauty contest ongoing for ~€2bn Bad loan disposal in Q4 2017
 Remaining ~€3.5bn to be sold in H1 2018 (with GACS)

56% TO BE COMPLETED BY YE 2017

✓ **NET NPLs FURTHER DOWN**
 To €14.0bn (-17.5% y/y), with a strong decrease in UTP (-€1.7bn: -19.9% y/y)

-€3.0BN Y/Y

✓ **INCREASE IN WORKOUT RECOVERIES**
 Workout recoveries of about €500m in 9M 2017 (with a decrease of around €1.4bn in GBV)

+43.5% Y/Y

✓ **NET FLOWS TO NPLs SIGNIFICANTLY DOWN**
 €641m as at Sept. 2017: -€1.3bn y/y

-66.2% Y/Y

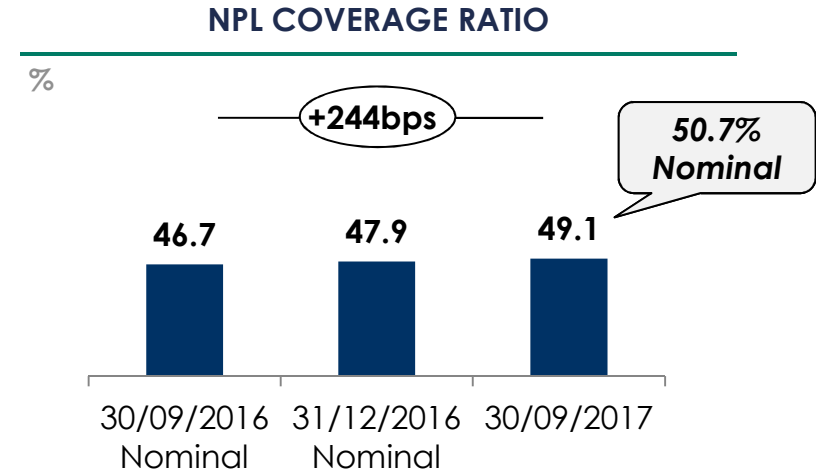
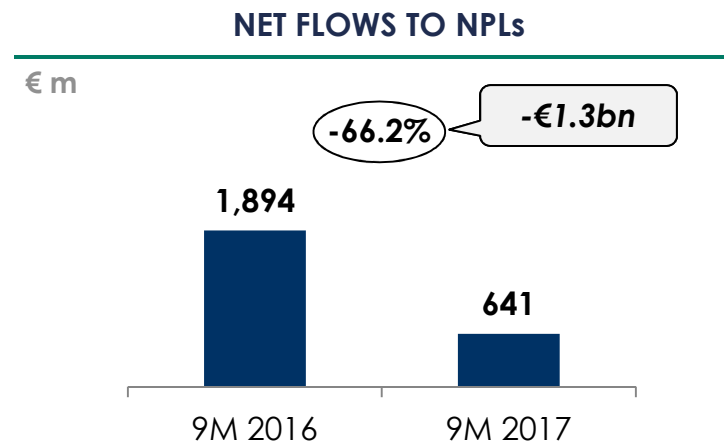
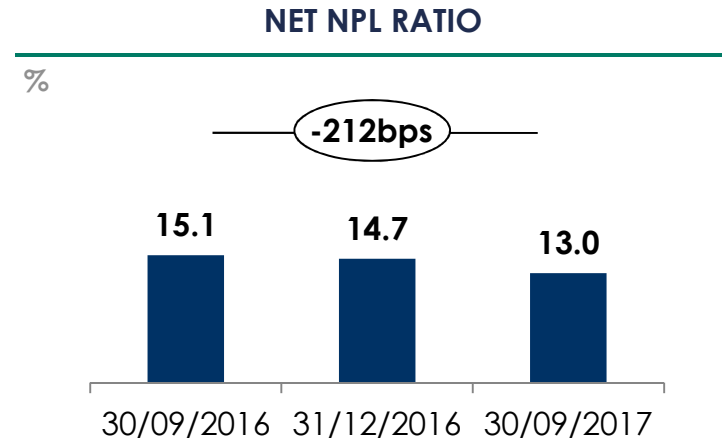
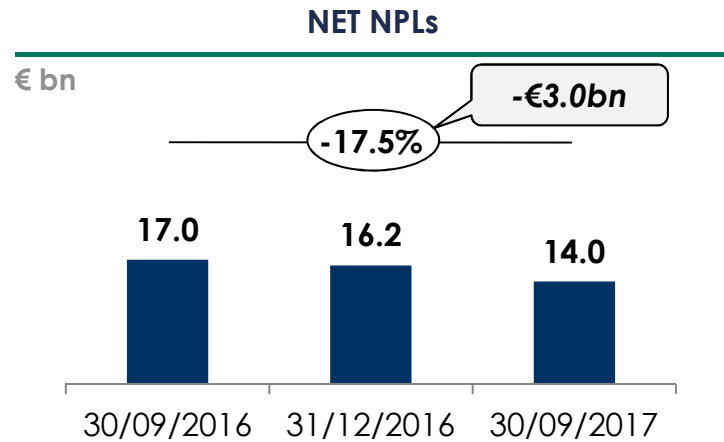
✓ **COVERAGE LEVELS STRENGTHENED**

NPLs: +244bps y/y	NPLs¹	Bad loans¹	UTPs
Bad Loans: +48bps y/y	49.1%	60.0%	31.0%
UTPs: +553bps y/y			

Note:

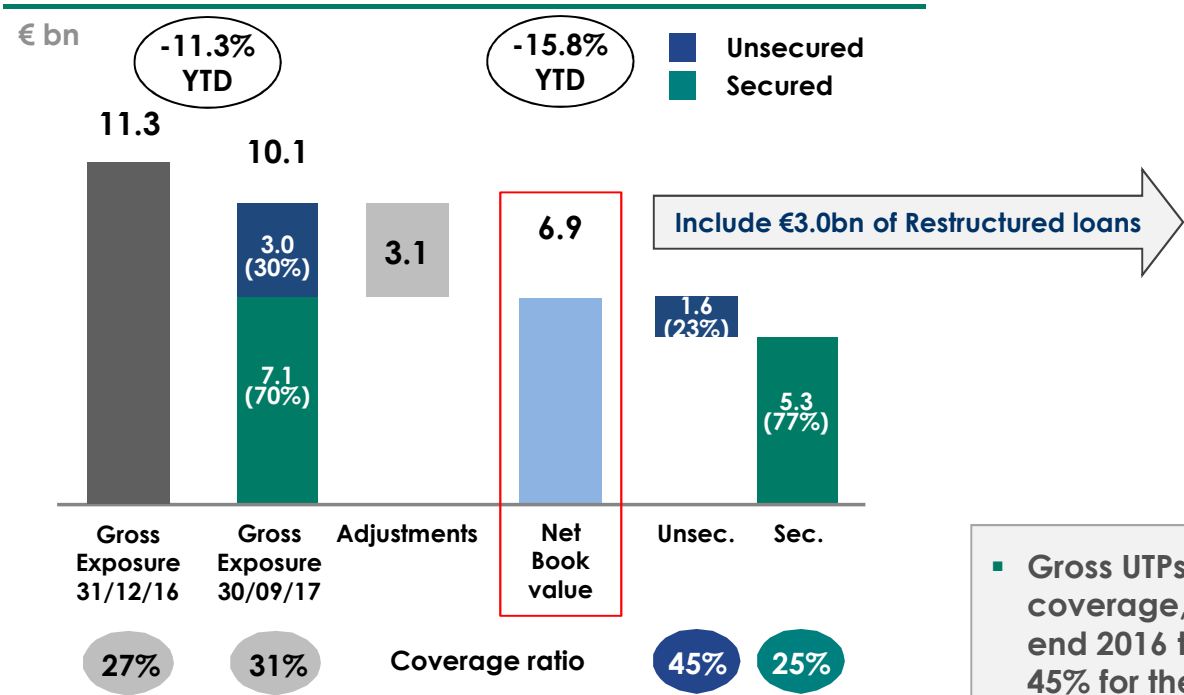
1. Including write-offs, the coverage rises to 50.7% for NPLs (+400 bps y/y) and to 62.0% for Bad loans (+250bps y/y).

ASSET QUALITY HIGHLIGHTS



UNLIKELY-TO-PAY LOANS: ANALYSIS AS AT 30 SEPTEMBER 2017

UTP analysis



Breakdown of Net UTP Loans

Total net UTP		6.9
of which:	Restructured	3.0
	- Secured	2.0
	- Unsecured	1.0
of which:	Other UTP	3.9
	- Secured	3.3
	- Unsecured	0.6

Geographic breakdown of gross UTP	%
Northern Italy	72%
Central Italy	21%
Southern Italy and Islands	6%
ROW	1%

- Gross UTPs have fallen 11.3% YTD. The coverage, which has risen from 27% at year-end 2016 to 31% as at 30/09/2017, stands at 45% for the unsecured portion
- Net Restructured loans (€3.0bn) account for 43% of total net UTP and are essentially related to formalised underlying restructuring plans and procedures (mainly under Italian credit protection rules procedures)
- Net unsecured UTP other than Restructured loans are limited to €0.6bn



NPL UNIT AT A GLANCE

A new recovery machine...

- Established since day 1 of the merger, directly reporting to the CEO
- 220 professionals fully dedicated to Bad Loan management (target 300-350)
- Focused internal organization with a well-defined mission
 - Specialized workout network
 - Portfolio disposals
 - Performance management
 - Operational excellence
 - Real Estate advisory
- MBO/incentive system focused on recovery results

... built upon clear selected success factors

1. **Complete digital-based data infrastructure** allowing to
 - Provide clear targets and managerial inputs to workout professionals
 - Make available full data tape instrumental for disposals
2. **Specialized «coverage approach»** by exposure type
 - «Large» tickets vs. «mass» exposures
 - Secured – by underlying collateral type – vs. unsecured
3. **Advanced borrower-based segmentation** aimed at identifying the most appropriate recovery strategy at single position level
4. **Strong focus on out-of-court approach** to accelerate recoveries
5. **Dedicated Real Estate Advisory** to promote collateral value maximization
6. **Optimized disposals** based on careful bottom-up selection of single positions

Cumulative historical recovery rate* - Average 2006-2015

Banco BPM	53.5%
Italian Banks Average	46.9%



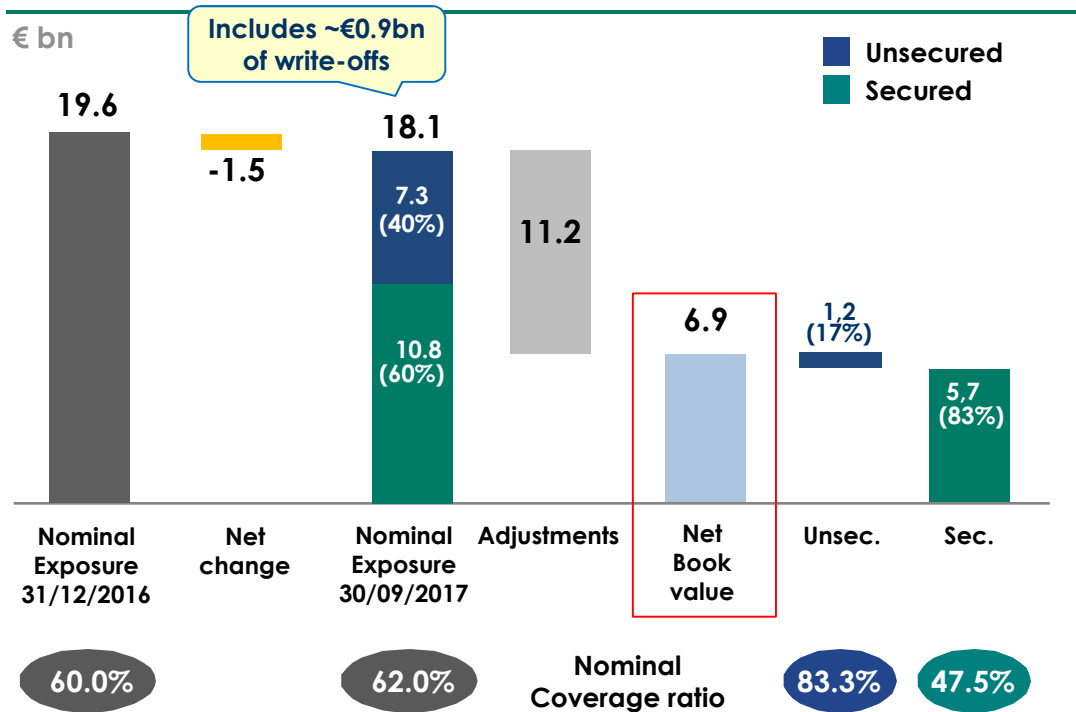
Track record already showing stronger recovery skills vs. average

*Simple average of yearly recovery rates excluding NPL disposals.



BAD LOANS: ANALYSIS AS AT 30 SEPTEMBER 2017

Bad Loans: evolution and composition



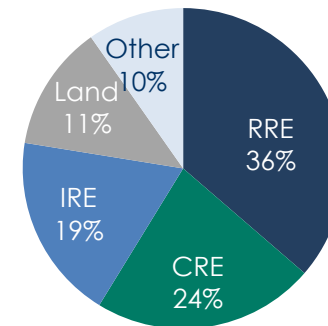
- Secured/Unsecured composition in terms of book value (59%/41%) well above industry average (48%/52%)¹
- Nominal exposure expected at year-end 2017: ~€16bn (of which ~66% secured and ~34% unsecured)



Notes:

- Report PWC "The Italian NPL market – the place to be", July 2017.
- Collateral FV capped at nominal value.

Collateral composition Fair Value of collateral: €14.4bn

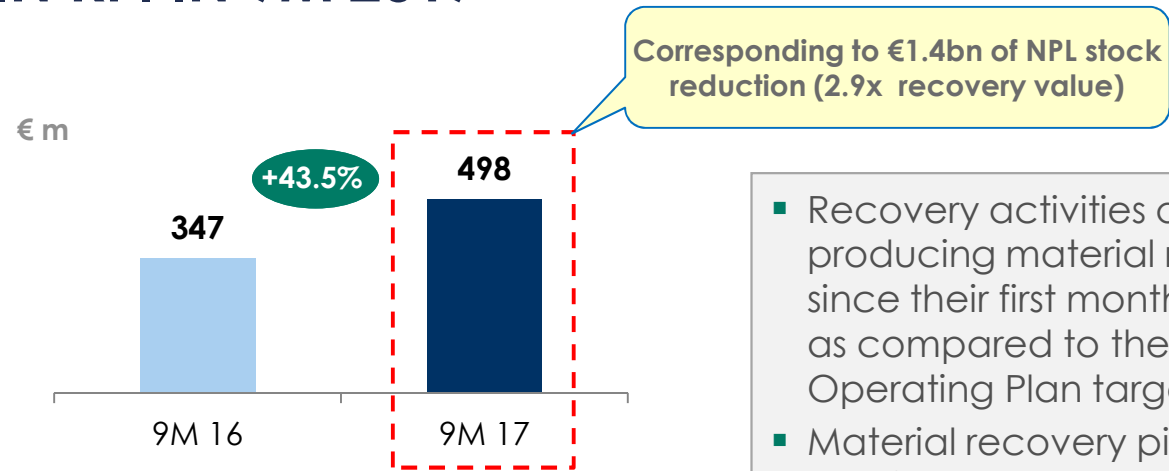


Coverage with collateral

	Non Capped	Capped ²
FV Collateral + Coverage	181%	124%
Nominal Value		
FV Collateral	252%	146%
Net Value		

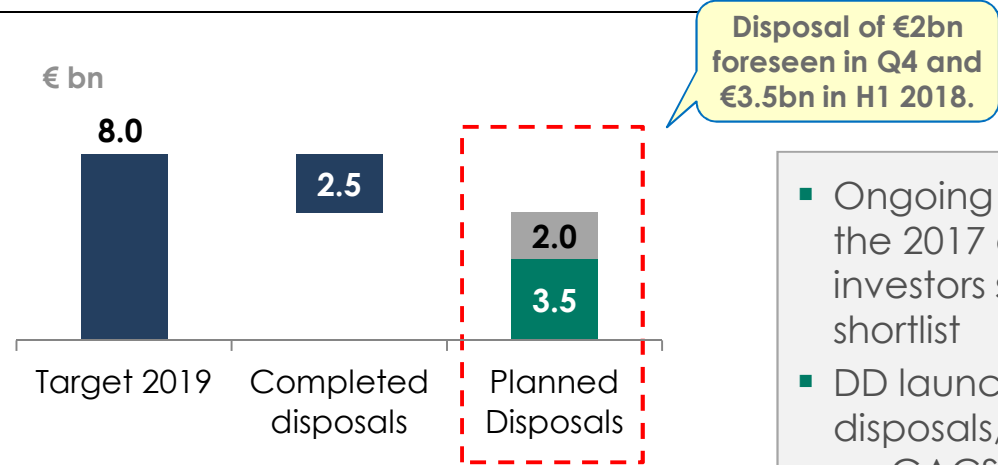
NPL UNIT: MAIN KPI IN 9M 2017

Workout Recoveries



- Recovery activities are producing material results since their first months: +28% as compared to the 2017 Operating Plan target
- Material recovery pipeline also for Q4 2017

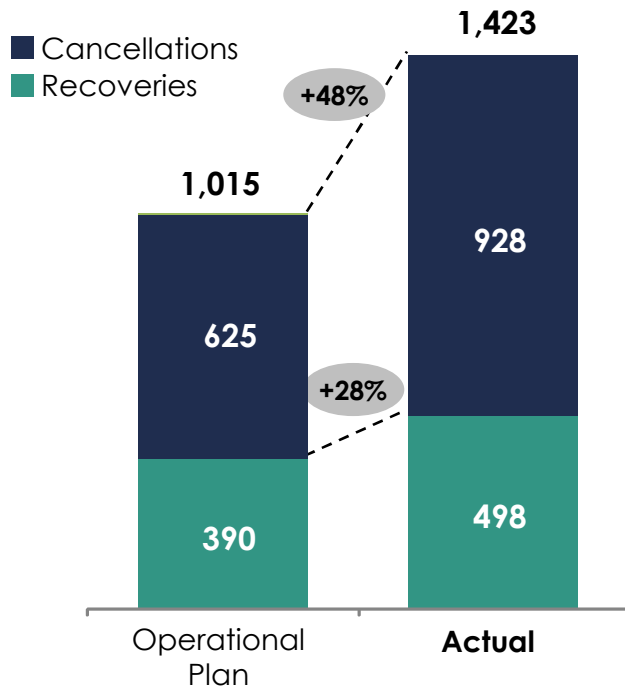
Disposal Status



- Ongoing activities to finalize the 2017 disposal plan: investors selected for final shortlist
- DD launched for 2018 disposals, which will leverage on GACS mechanism

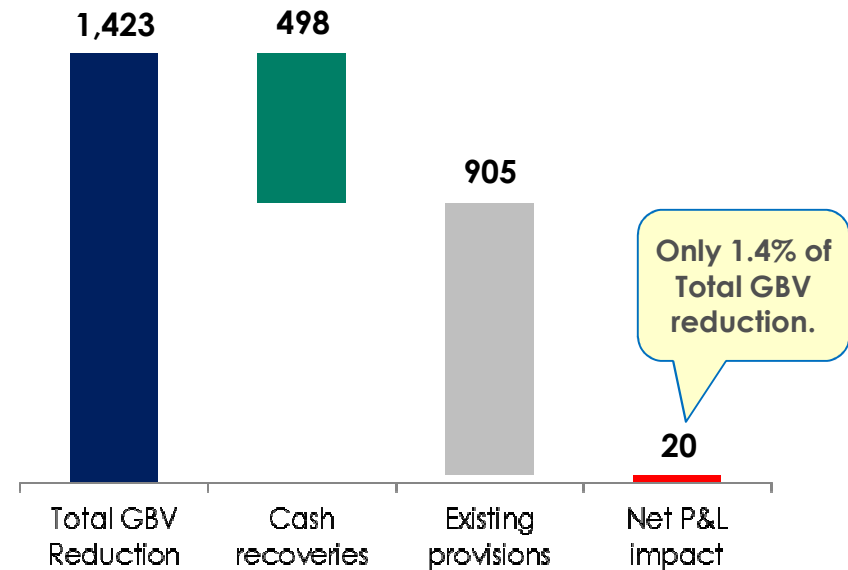
2017 WORKOUT ACTIVITIES VS TARGET - YTD

Delta GBV from Cancellations & Recoveries (€ m) – YTD 9M



Delta GBV/ Recoveries **2.6** (Operational Plan) vs **2.9** (Actual)

Bad Loans GBV Reduction (€ m) – YTD 9M



■ In the first 9 months of 2017, recoveries were ~30% higher and cancellations were 48% higher when compared to the operational plan target. This dynamic, however, had a very limited impact on the cost of credit

NPL OUTLOOK: INERTIAL ASSUMPTIONS

Key indicator

Outlook over the plan horizon (2018-2019)

Impact

Confirmation of the Strategic Plan

Disposals

€8bn NPL disposal to be completed by June 2018
 No additional disposals assumed during the time horizon of the Strategic Plan

Additional derisking

Reduction in inflows from Performing

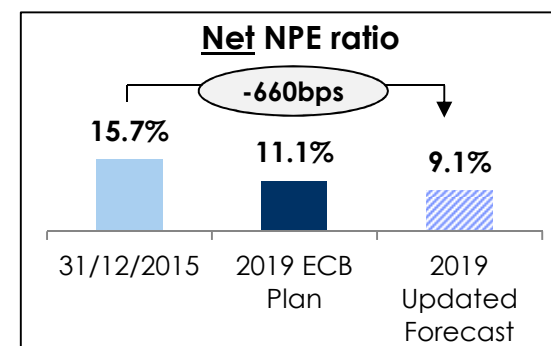
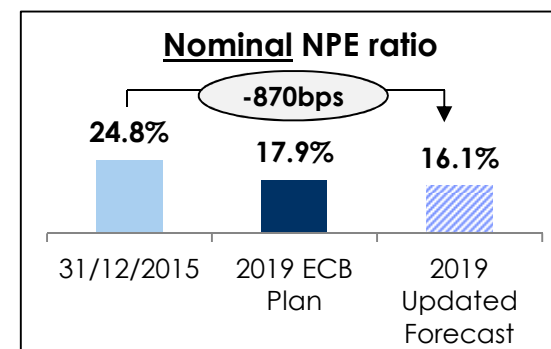
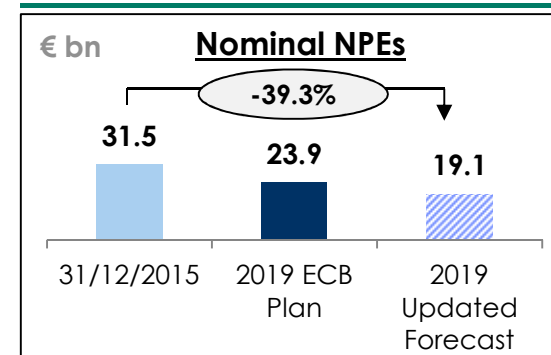
UTP reduction and Outflow to performing

Confirmation of strong reduction in flows in 9M 2017 vs. 2016

Confirmation of the trend registered in 2017, with an expected annual reduction of €1.2bn in the UTP stock

Cash recoveries

Consolidation/improvement in the recovery rate trend



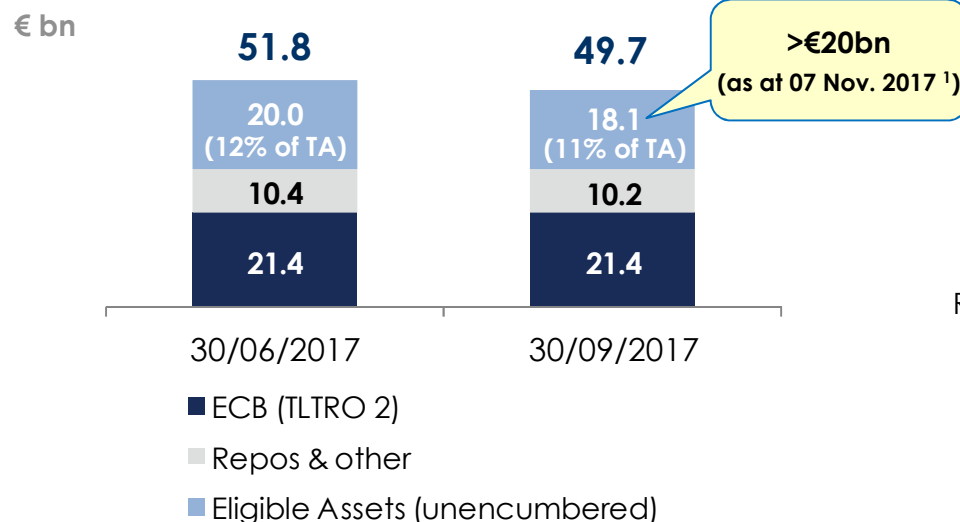
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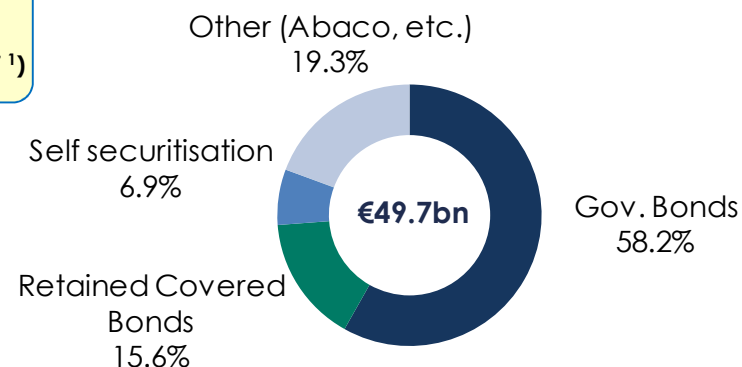
SOUND LIQUIDITY POSITION

Unencumbered assets at 11% of total assets, with almost 90% composed of Government bonds

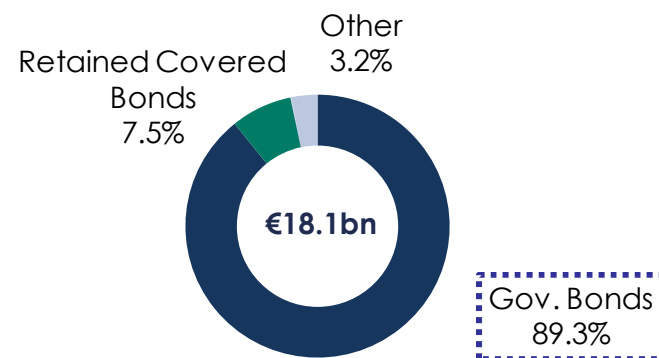
Use of eligible assets and liquidity buffer



Breakdown of total eligible assets



Breakdown of unencumbered eligible assets



- Unencumbered assets at 11% of Total Assets (12% as at June 2017), composed by 89% of Italian Government bonds
- TLTRO 2 position stable at €21.4bn: maximum take-up reached at the March 2017 auction
- LCR >150%; NSFR >100%²

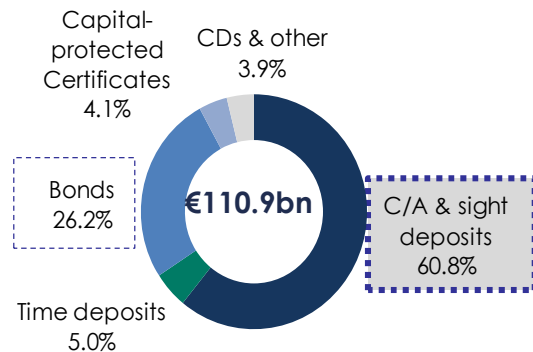


Notes:
 Net of haircuts. Inclusive of assets received as collateral.
 1. Management accounting data.
 2. NSFR as at 30/06/2017, latest available data.

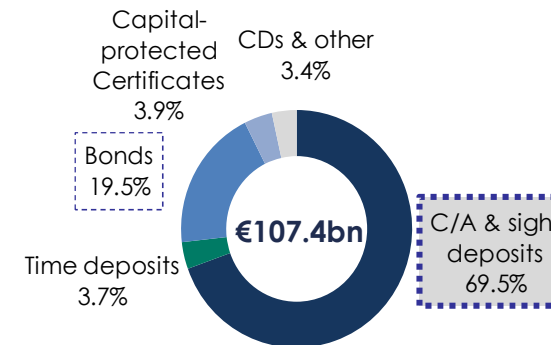
DIRECT FUNDING¹

Healthy growth in core deposits, with concurrent decline in more expensive sources of funding

Breakdown at 30/09/2016
(without Repos)



Breakdown at 30/09/2017
(without Repos)



- **Direct funding trend (-3.2% y/y; -2.4% YTD; +0.6% q/q) driven by:**
 - **Positive dynamic of C/A and sight deposits (+10.7% y/y; +5.4% YTD; +3.5% q/q)**
 - **Decrease in more expensive components (bonds -28.0% y/y; -18.6% YTD; -4.4% q/q)**
- **Bond reduction continues to have a positive effect on cost of funding and on AuM growth**

CHANGES	In % 12M	In % 9M	In % 3M
C/A & Sight deposits	10,7%	5,4%	3,5%
Time deposits	-30,1%	-17,6%	-12,6%
Bonds	-28,0%	-18,6%	-4,4%
CDs & Others	-14,2%	-11,4%	-6,3%
Cap.-protected Certificates	-7,2%	-7,6%	-2,8%
Direct Funding (excl. Repos)	-3,2%	-2,4%	0,6%

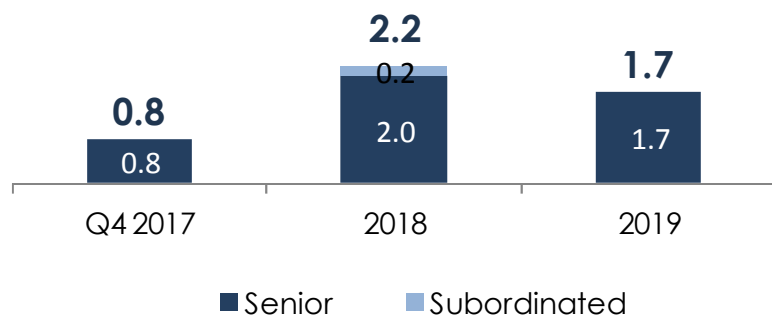
Note:

1. Direct funding restated according to a management logic: it includes capital-protected certificates, recognized under 'Held-for-trading liabilities', while it does not include Repos (€6.7bn at September 2017, basically transactions with Cassa di Compensazione e Garanzia), classified in the Accounting Report under 'Due to customers'.

INSTITUTIONAL AND RETAIL BOND MATURITIES

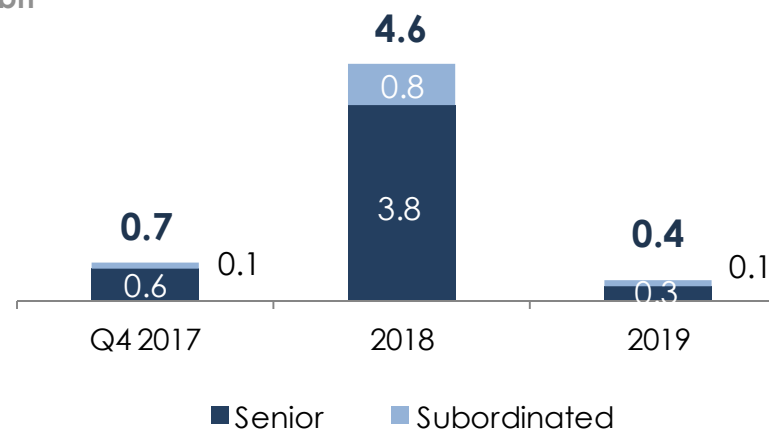
Institutional bond maturities

€ bn



Retail bond maturities

€ bn



- >€5bn¹ of bond maturities in 9M 2017, with a positive effect on the cost of funding
- Average spread of bonds maturing in Q4 2017 and in FY 2018 (€8.3bn in total) is ~2.8%
- Thanks to the Group's strong liquidity position, the upcoming maturities can be managed to optimize the cost of funding and to further increase assets under management, while maintaining a robust funding structure and a balanced Assets & Liabilities profile

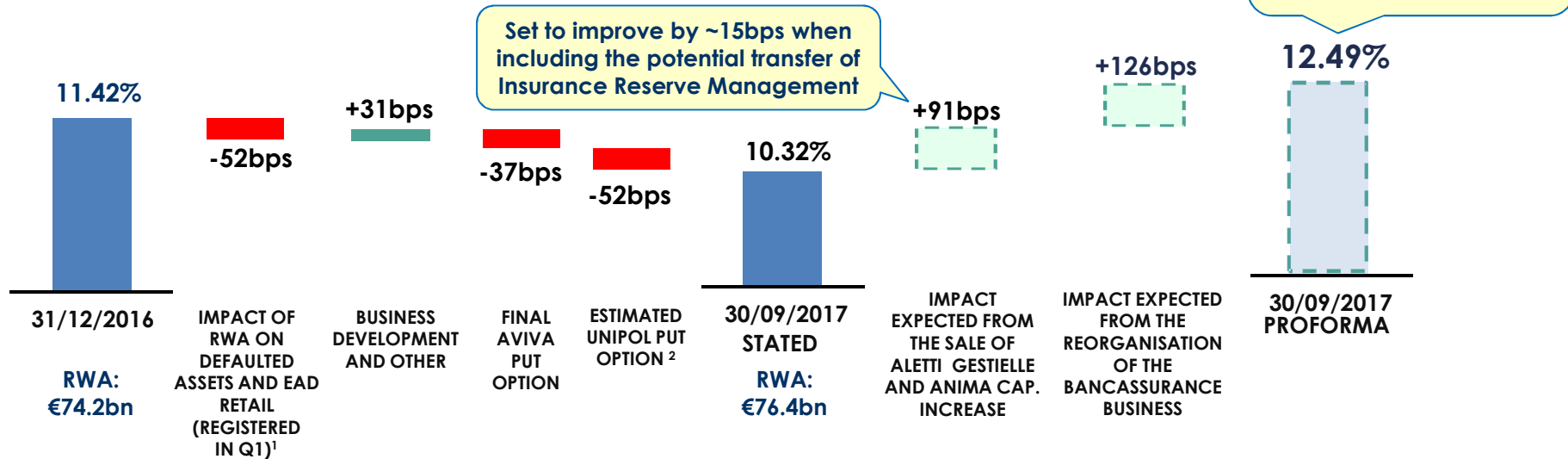
Maturities include calls.

Note:

1. Including also the two buy-backs completed in April and June.

FULLY-LOADED CET1 RATIO: EVOLUTION DETAILS

Fully-Loaded CET 1 ratio: Dynamic analysis



- The proforma FL CET1 ratio at 12.49% (phase-in at 12.82%) includes:
 - the disposal of Aletti Gestielle together with the possible capital increase of Anima (+91bps)
 - the expected impact from the reorganisation of the Bancassurance business (+126bps)
- ... but still does not factor in the expected positive impact from the AIRB model roll-out

Notes:

1. As communicated to the market in the Q1 2017 Results presentation.
2. Preliminary impact estimated from the exercise of Unipol's put option, in line with the value indicated in the H1 2017 results presentation, pending the result from the closure of the arbitration under way.



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Overview of Banco BPM Covered Bond Programmes

BPM OBG 2 (2015): 100% covered bonds placed to wholesale investors*

Public Issues Only

• Type of Assets	Residential mortgages (mandatory under the programme documentation)
• Issuer	Banco BPM S.p.A.
• Originator	BPM S.p.A., Banco BPM S.p.A.
• Ratings	A1 (Moody's)
• Over-collateralisation consistent with rating	4,5% (Moody's)
• Covered bonds	€ 2.5 bln - 3 bonds placed on the market
• Cover Pool	€ 3.3 bln
• Guarantor	BPM Covered Bond 2 S.r.l.
• Maximum LTV	80% at inclusion and capped by the Asset Coverage Test, Interest Coverage, Net Present Value and Nominal Value Test
• Substitute Assets	Up to 15%
• Asset Monitor	BDO S.p.A.
• Bondholder Trustee	Securitisation Services

Other Banco BPM OBG Programmes

Main features	BP OBG 1 (2010)**	BPM OBG 1 (2008)*	BP OBG 2 (2012)**
• Guarantor	BP Covered Bond S.r.l.	BPM Covered Bond S.r.l.	BP Covered Bond S.r.l.
• Type of Programme	Public and retained issues	Retained Issues Only	Retained Issues Only
• Type of assets	Residential mortgages	Residential mortgages	Residential/Commercial mortgages
• Ratings	A1 (Moody's)/ A (DBRS)	A1 (Moody's)	A2 (Moody's)
• Covered bonds	€1.25 bln bonds for wholesale investors €4 bln for retained bonds	€ 3.5 bln - 5 floater retained bonds	€ 1.25 bln - 1 floater retained bond
• Cover Pool	€ 10.7 bln	€ 3.9 bln	€ 2.1 bln



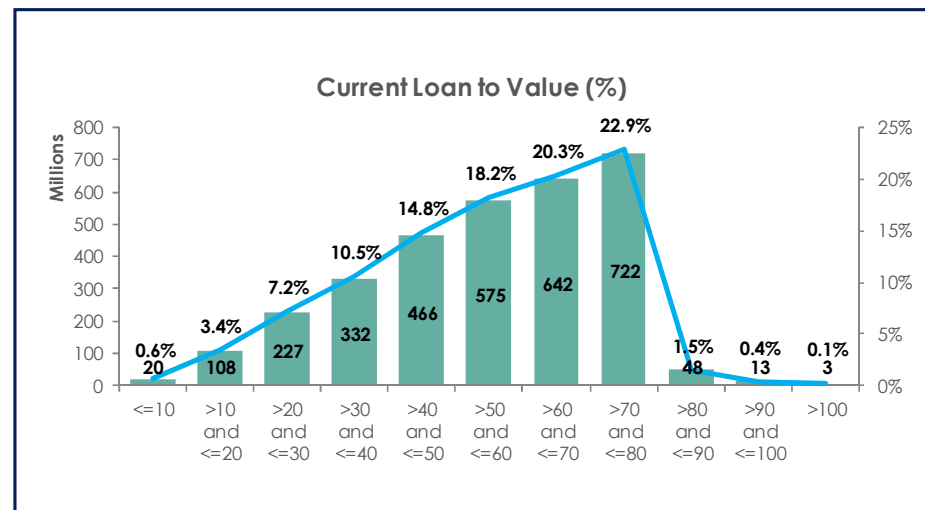
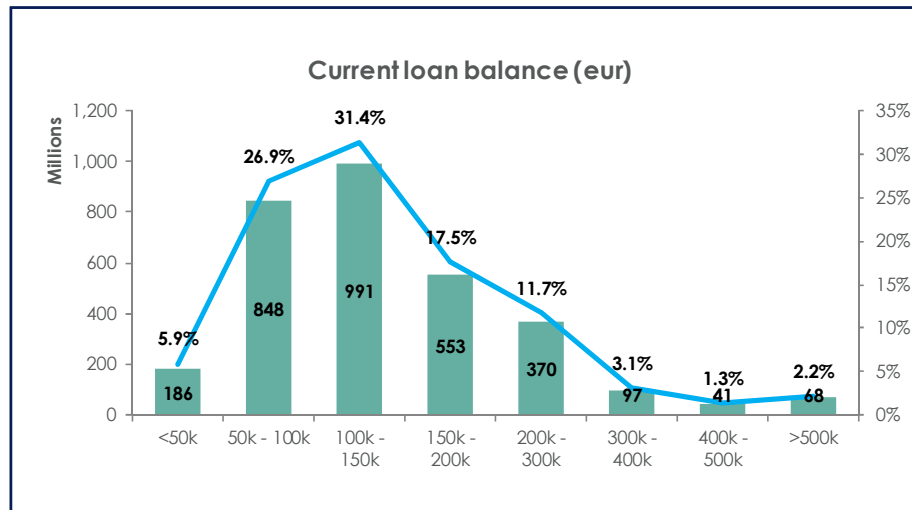
* Data as of 30 September 2017

** Data as of 31 August 2017

BPM OBG2 Highlights (1/4)

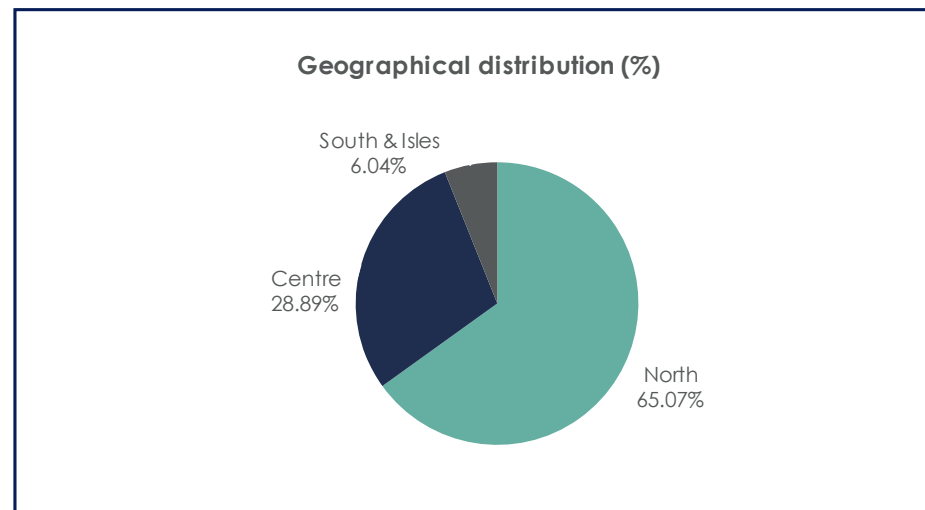
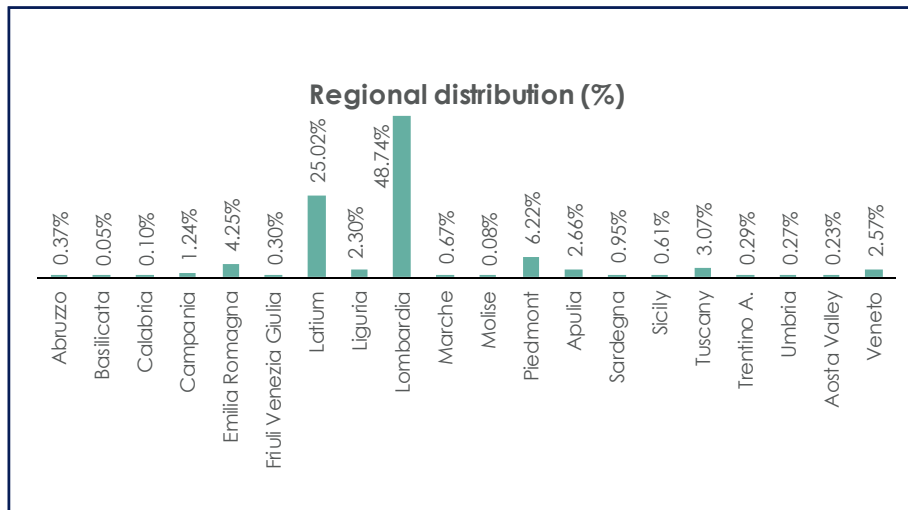
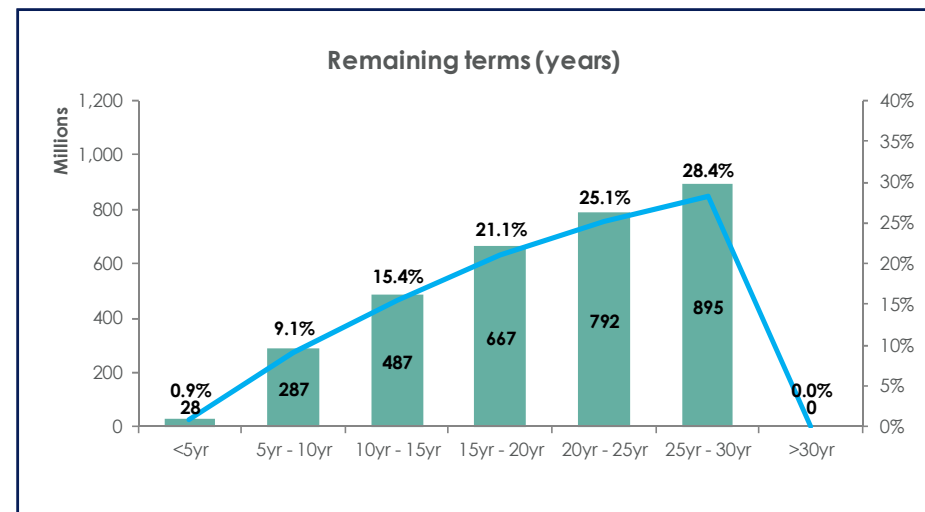
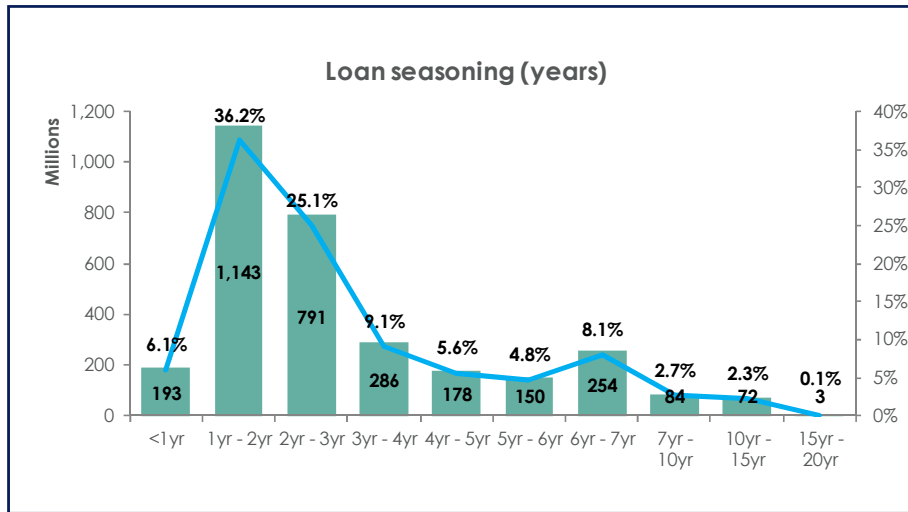
Does not include the transfer of 1,1 bln mortgages sold by Banco BPM SpA on 31 October 2017

Cover Pool as of Cut-off Date (30 th September 2017)		Outstanding Covered Bond Issuance			
Balance (€)	3,154,938,485	Series	ISIN code	Covered Bonds	Amount outstanding
Number of loans	29,949	Series 1	IT0005135725	BAMIIM 0.875% Mar 2022	1,000,000,000
Average loan balance	105,344	Series 2	IT0005153975	BAMIIM 1.50% Dec 2025	750,000,000
WA seasoning (years)	3.05	Series 3	IT0005199465	BAMIIM 0.625% Jun 2023	750,000,000
WA remaining term (years)	20.04				
Number of borrowers	29,686				
WA CLTV	54.98%				
Percentage of floating rate mortgages (%)	54.78%				
WA interest rate on floating rate loans (%)	1.59%				
WA margin on floating rate loans (bps)	184.90				
WA interest rate on fixed rate loans (%)	2.55%				
WA interest rate (%)	2.02%				
Outstanding Covered Bond Issuance	2,500,000,000				

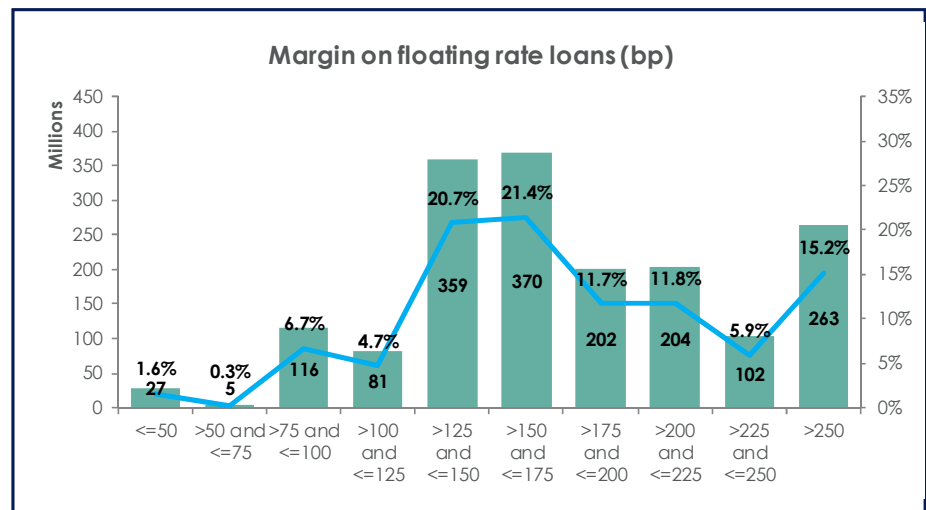
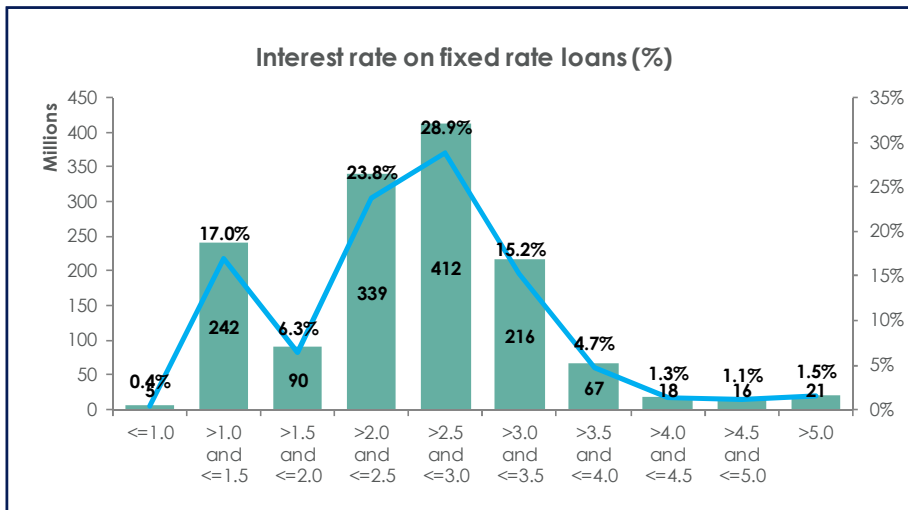
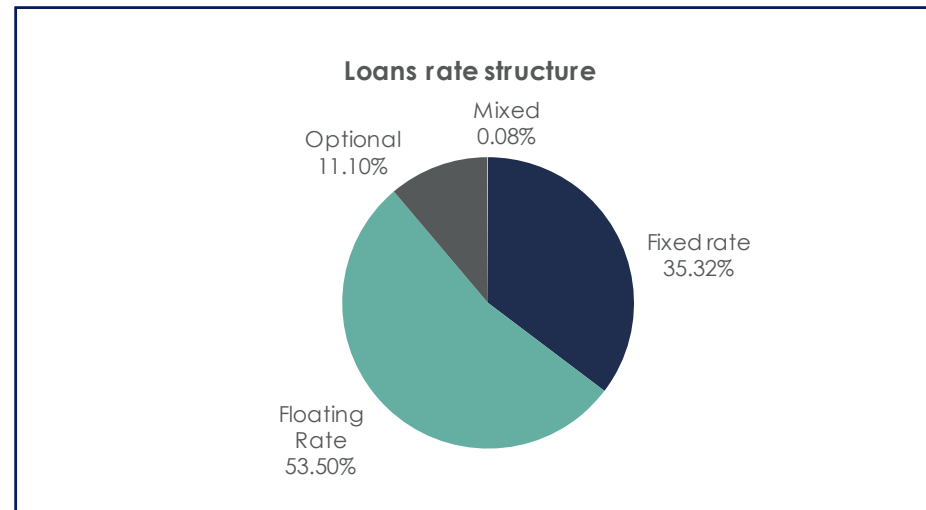
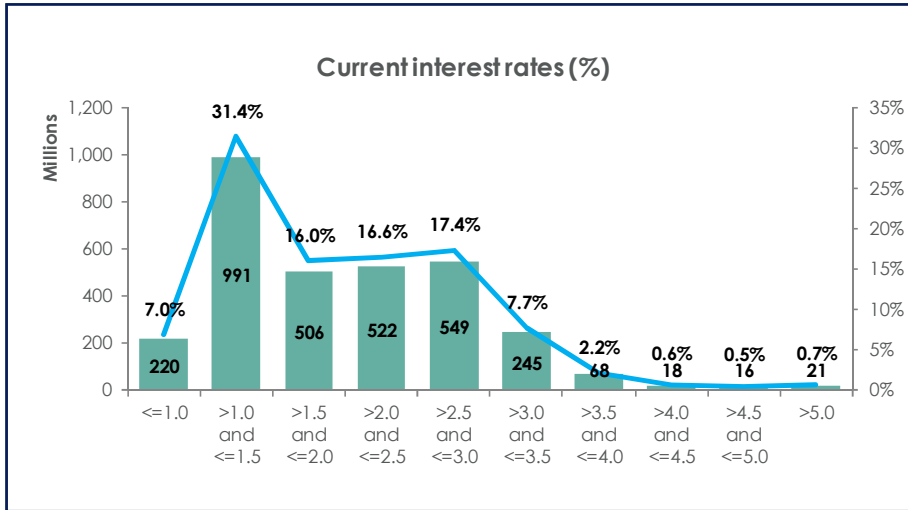


■ Outstanding value
 — % of Total

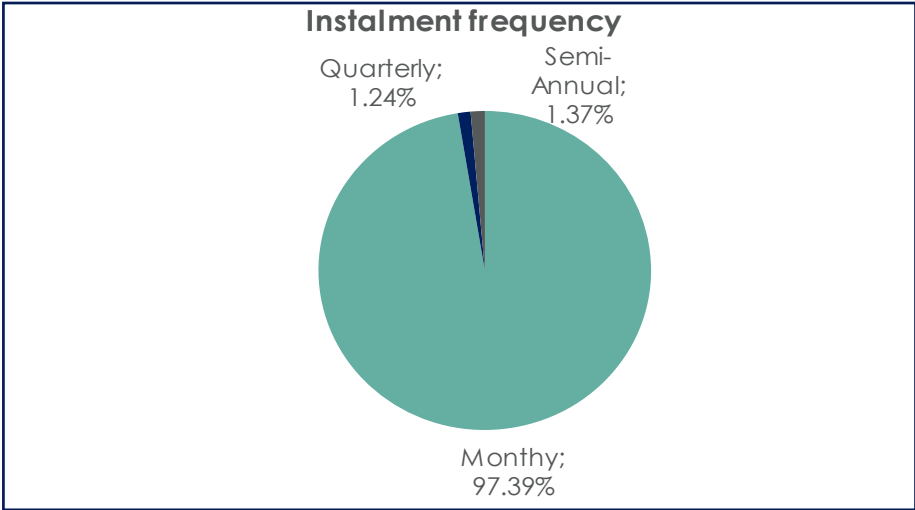
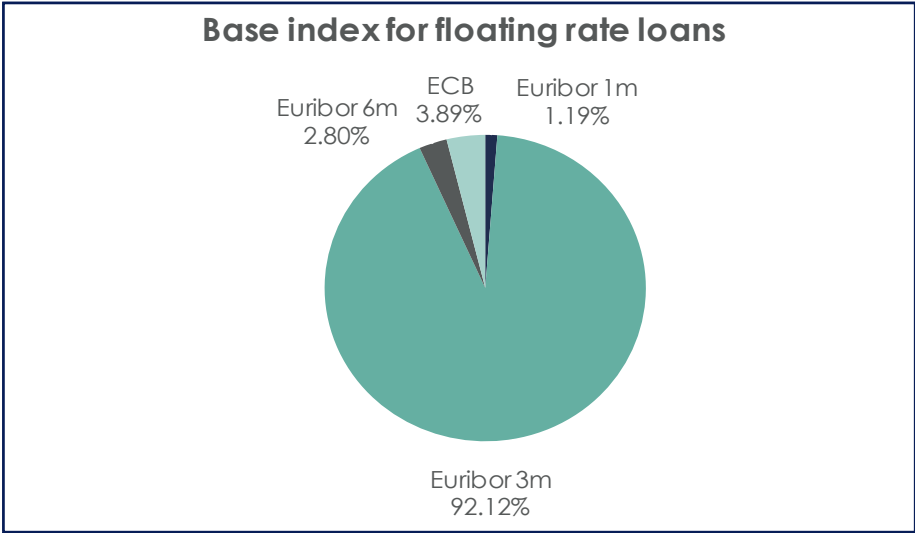
BPM OBG2 Highlights (2/4)



BPM OBG2 Highlights (3/4)



BPM OBG2 Highlights (4/4)



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ASSET MANAGEMENT STRATEGY: STRATEGIC RATIONALE OF THE TRANSACTION WITH ANIMA

1

Maintain Exposure to AM
Through the Creation of a
National Champion

- Creation of a domestic champion in the AM sector with pan-European ambitions with Banco BPM as a significant shareholder
- Large exposure kept into the Asset Management sector for Banco BPM, with high commissions and profitability as well as growth perspectives

2

Valorisation of Banco
BPM's Distribution
Network

- Valorisation of Banco BPM's distribution network in the AM sector
- Reduced time-to-market vis-à-vis the distribution network and the client base, through stronger cooperation between product factories

3

Product Quality

- Bespoke services to Banco BPM's distribution network, maximising the capabilities and the best resources of both Anima and Aletti Gestielle

4

Synergies

- Pooling of the best practices of both product factories in products development as well as marketing/sales

ASSET MANAGEMENT STRATEGY: STRUCTURE OF THE TRANSACTION WITH ANIMA

Scope of the Transaction and Tenor

- Scope of the transaction: 100% of Aletti Gestielle + potential management of the insurance reserves of Banco BPM's insurance JVs
- Tenor: 20 years

Key Industrial Terms

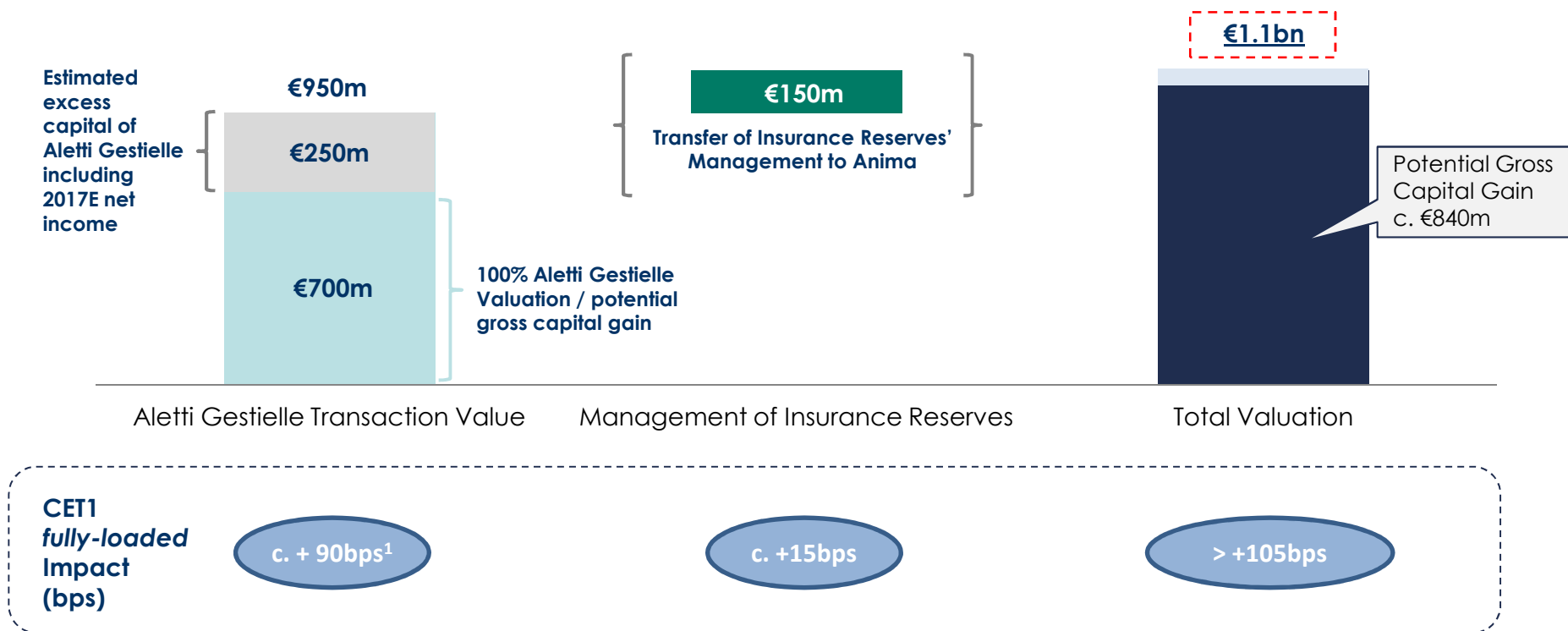
- Rebate rates for Banco BPM in line with the previous agreement with ex BPM
- Banco BPM lock up on 9.99% in Anima, coupled with a commitment to subscribe pro quota Anima's possible capital increase expected in the context of the Aletti Gestielle transaction
- Market standard warranties

Timing

- Closing of the Aletti Gestielle transaction expected by 31 December 2017
- Timeframe alignment between this transaction and the insurance JVs disposals

ASSET MANAGEMENT STRATEGY: TRANSACTION DETAILS OF 20-YEAR PARTNERSHIP WITH ANIMA

The transaction with Anima to allow Banco BPM to receive up to €1.1bn: (i) an upfront cash consideration of €700m, (ii) excess capital distribution of c. €250m and (iii) potentially c. €150m from the sale of management of insurance reserves



Note: 1. Including the effect of a pro quota subscription of Anima's possible capital increase by Banco BPM.

BANCASSURANCE STRATEGY: STRATEGIC RATIONALE UNDERLYING JV WITH CATTOLICA

The transaction will allow Banco BPM to:

- 1 Set up a JV with a leading national insurance player, sharing a common cultural background
- 2 Streamline the Bancassurance partnership setup of the Group and valorise Banco BPM's distribution network
- 3 Improve the synergies between the two joint-ventures on the former Banco Popolare network that will refer to a single partner
- 4 Maintain a significant pro-quota contribution from the expected earnings of the Insurance Companies
- 5 Maintain a capital buffer deemed sufficient to sustain the capital impacts expected from the repurchase of the stakes in the Insurance Companies currently held by Aviva and UnipolSAI

BANCASSURANCE STRATEGY: TRANSACTION STRUCTURE OF JV WITH CATTOLICA

Scope of the Transaction and Tenor

- Sell to Cattolica of a 65% stake in both Avipop Assicurazioni and Popolare Vita
- Total consideration: €853.4m, of which €544.6m for the 65% stake in Popolare Vita (including €89.6m as extraordinary dividend paid by Popolare Vita to Banco BPM ahead of the closing) and €308.8m for the 65% stake in Avipop Assicurazioni

Key Industrial Terms

- Establishment of a 15-year Life and Non-Life bancassurance partnership on the ex-BP franchise
- Management control of the Insurance Companies transferred to Cattolica. Banco BPM will keep holding veto powers on significant strategic matters

Timing

- Signing of the legal documentation on 9 November 2017
- Closing of the transaction (subject to regulatory approvals) expected in H1 2018 and, in any case, subject to the purchase by Banco BPM of the remainder of the shares of Avipop Assicurazioni (sale and purchase agreement with Aviva signed on 28th October) and Popolare Vita (the Arbitration's process is pending: deadline 15th November)